

Our fundamental assets as a provider of financial services are our capital strength and solvency. We are committed to these values and we adhere to them even in times of turbulence. In 2002, in a difficult market we launched the biggest financing project of a European insurer.

Demand for our high-volume bonds by far exceeded expectations. A clear demonstration of the high esteem in which investors hold the solidity and reliability of Allianz.

Shareholders' equity, reserves and solvency

On December 31, 2002, the shareholders' equity of the Allianz Group amounted to 21.8 billion euros, minus 23,588,411 treasury shares at a purchase price of 6.0 billion euros. Shareholders' equity was thus 9.9 billion euros lower than in the previous year, which is mainly due to the extraordinary weakness in the capital markets. Over 70 percent of this reduction in shareholders' equity can be attributed to substantially lower unrealized gains and losses from securities held for sale.

	€ bn
Shareholders' equity 12/31/2001	31.7
Currency translation differences	- 1.3
Changes in the group of consolidated companies	0.4
Capital inflows	0.0
Change in unrealized gains/losses from investments	- 7.2
Net income	- 1.2
Dividend paid	- 0.4
Other	- 0.1
Shareholders' equity 12/31/2002	21.8

Shareholders' equity does not include valuation reserves for our real estate holdings nor participations consolidated at equity. After deduction of taxes, minority interests and interests of policyholders, these amounted to 5.1 billion euros at the end of 2002.

At December 31, 2002, Allianz Group calculated the capital elements eligible for the legally required solvency margin of insurance groups to have a total value of 21.7 billion euros. Included in this amount are the shareholders' equity, reserves for real estate holdings and participations consolidated at equity, as well as subordinated liabilities and reserves for premium refunds that are eligible for the solvency margin. However, this total must be reduced by certain elements carried as intangible assets, in particular goodwill from insurance companies, as well as claims equalization reserves recognized in local financial statements. At the end of 2002, the solvency margin required by law is expected to be at least 14.2 billion euros, which corresponds to a cover ratio of

152.8 percent. However, the solvency margin directive applies only to the insurance segment and contains no capital requirements for the banking business. Until the Financial Conglomerates Directive takes effect in fiscal 2005, multiple gearing of regulatory capital is still possible in part.

In addition, all entities of the Allianz Group had sufficient own funds and met local solvency requirements.

In the Interim Report on the first three quarters of 2002, we announced that we were extending an offer to the holders of profit participation certificates to exchange these certificates into Allianz shares at a rate of eight certificates for ten Allianz shares. The exchange period ran from November 19, 2002, to January 16, 2003. A total of 4,918,488 profit participation certificates – close to 86 percent of the certificates issued – were exchanged for 6.15 million shares. The share certificates issued were taken from treasury stock. This outflow increased our shareholders' equity by 386 million euros in January 2003.

Ratings

In the fall of 2002, the Allianz Group's ratings were slightly downgraded by several rating agencies. This was a reaction to the high charges with which the Group was burdened by the extreme weakness in the capital markets, exceptionally high claims in the insurance business and very high risk provisions at Dresdner Bank. Nonetheless, the ratings of Allianz continue to be among the best in the market.

Here an overview of the ratings by leading agencies.

	Standard & Poor's	Moody's	A. M. Best
Category			
Insurer Financial Strength	AA-	not rated	A++
Outlook			Negative
Counterpart Credit	AA-	not rated	not rated
Outlook	Negative		
Senior Unsecured Debt	AA	Aa2	A++
Outlook		Negative	Negative
Subordinated Debt	A+	A1	not rated
Outlook		Negative	
Commercial Paper (Short Term)	A-1+	P-1	not rated

and were able to set the interest rate at the lower end of the book building range. The bond was hailed as “deal of the year” in the financial services provider category by the British financial magazine Euroweek. It is listed at the Luxembourg stock exchange.

In December 2002, after the successful completion of this transaction, we issued a perpetual subordinated bond specifically conceived for the Asian market. It has a volume of 500 million U.S. dollars. Considering the fact that this was our first venture in the Asian bond market, the demand of about 740 million U.S. dollars was exceptionally high. That enabled us to fix the coupon of this bond at 7.25 percent – the lower end of the price range originally envisioned.

In December 2002, we also emitted a subordinated bond with a 22-year maturity in Europe. This bond can be recalled for the first time after 12 years. The demand for this issue reached 1.8 billion euros, of which we utilized 1 billion with a 6.5 percent coupon. That concluded the so far biggest bond emission project by a European financial services provider.

The funds raised by these bond issues will be used, on the one hand, to redeem short-term financing arrangements and, on the other, to secure the financing of our future growth.

Borrowing

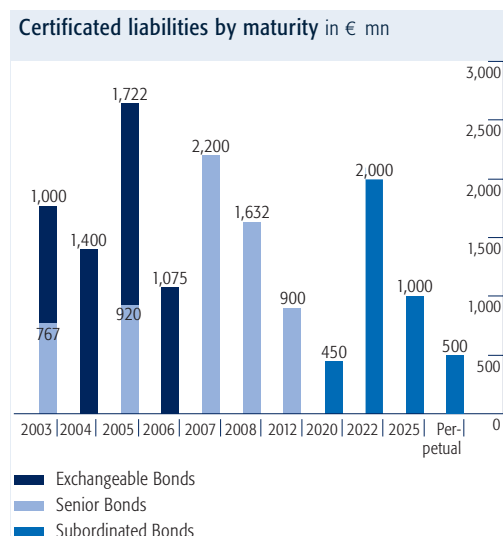
In May 2002, Allianz launched its first subordinated bond issue with a volume of 2 billion euros, a 6.125 percent coupon and a 20-year maturity. This bond can be recalled for the first time after ten years and thereafter at the end of each quarter. If no call for redemption is issued after ten years, a variable interest rate is applied.

In November 2002, we very successfully floated a euro-denominated bond in two tranches. This issue, which was rated AA by Standard & Poor's and Aa2 by Moody's, was oversubscribed eight times. The demand was so overwhelming that we increased the total volume from 1 to 2 billion euros

Outstanding bonds of the Allianz Group (excluding banking) – overview

	€ bn
Senior Straight Bonds	6.4
Convertible bonds	5.2 ^{*)}
Subordinated bonds	4.0

^{*)}Taking into account hedging positions



AGF France issued a 6.625 percent subordinated bond with a volume of 450 million euros, which is also included in the long-term liabilities of the Allianz Group. This bond is not guaranteed by Allianz AG.

The Allianz Group still has recourse to short-term financing instruments, predominantly commercial papers. At the end of the year, these liabilities added up to approximately 3 billion euros.

The exchangeable bond backed by shares of Deutsche Bank reached maturity in February 2003. Since the share price of Deutsche Bank had fallen far below the striking price, the 1-billion euro bond was repaid in cash, in accordance with the terms of this issue. Another 767-million euro bond issue, which comes to maturity in May 2003, will also be redeemed in cash.

Allianz AG bond issues

1. Senior Bonds

6.0 % bond issued by Allianz Finance B. V., Amsterdam

Volume	€ 767 million
Year of issue	1996
Maturity date	5/14/2003
SIN	132 275
ISIN	DE 000 132 275 8

5.75 % bond issued by Allianz Finance B. V., Amsterdam

Volume	€ 1.1 billion
Year of issue	1997/2000
Maturity date	7/30/2007
SIN	194 000
ISIN	DE 000 194 000 5

5.0 % bond issued by Allianz Finance B. V., Amsterdam

Volume	€ 1.6 billion
Year of issue	1998
Maturity date	3/25/2008
SIN	230 600
ISIN	DE 000 230 600 8

3.0 % bond issued by Allianz Finance B. V., Amsterdam

Volume	CHF 1.5 billion
Year of issue	1999/2000
Maturity date	8/26/2005
SIN	830 806
ISIN	CH 000 830 806 3

4.625 % bond issued by Allianz Finance II B. V., Amsterdam

Volume	€ 1.1 billion
Year of issue	2002
Maturity date	11/29/2007
SIN	250 035
ISIN	XS 015 878 835 5

5.625 % bond issued by Allianz Finance II B. V., Amsterdam

Volume	€ 0.9 billion
Year of issue	2002
Maturity date	11/29/2012
SIN	250 036
ISIN	XS 015 879 238 1

2. Subordinated Bonds

6.125 % bond issued by Allianz Finance II B. V., Amsterdam

Volume	€ 2 billion
Year of issue	2002
Maturity date	5/31/2022
SIN	858 420
ISIN	XS 014 888 756 4

7.25 % bond issued by Allianz Finance II B. V., Amsterdam

Volume	\$ 0.5 billion
Year of issue	2002
Maturity date	Perpetual Bond
SIN	369 290
ISIN	XS 015 915 072 0

6.5 % bond issued by Allianz Finance II B. V., Amsterdam

Volume	€ 1 billion
Year of issue	2002
Maturity date	1/13/2025
SIN	377 799
ISIN	XS 015 952 750 5

3. Exchangeable Bonds

3.0 % exchangeable bond issued by Allianz Finance B. V., Amsterdam

Exchangeable for	Deutsche Bank AG shares
Volume	€ 1.0 billion
Year of issue	1998
Maturity date	2/4/2003
SIN	197 280
ISIN	DE 000 197 280 0

2.0 % exchangeable bond issued by Allianz Finance B. V., Amsterdam

Exchangeable for	Siemens AG shares
Volume	€ 1.7 billion
Year of issue	2000
Maturity date	3/23/2005
Current exchange price	€ 149.64
SIN	452 540
ISIN	DE 000 452 540 7

Index-linked exchangeable bond (Miles) issued by Allianz Finance II B. V., Amsterdam

At the issuer's discretion, exchangeable for/repayable by	E.ON AG, BASF AG, Münchener Rück AG or certain other shares
Volume	€ 2.0 billion
Year of issue	2001
Maturity date	2/20/2004
Exchange ratio	Relevant DAX reference price divided by the relevant reference price of the shares selected
Outperformance bonus	1.25 % p.a. of the relevant DAX reference price
SIN	600 385
ISIN	DE 000 600 385 8

1.25 % exchangeable bond issued by Allianz Finance II B. V., Amsterdam

Exchangeable for	RWE AG shares
Volume	€ 1.1 billion
Year of issue	2001
Maturity date	12/20/2006
Current exchange price	€ 50.16
SIN	825 371
ISIN	XS 013 976 180 2

4. Participation certificate

Allianz AG participation certificate

Nominal amount	€ 29.3 million (€ 4.1 million after the exchange)
Payout for 2002	€ 3.6
Current redemption price	€ 78.54
SIN	840 405
ISIN	DE 000 840 405 4